SO OPPORTUNITY

SASKATCHEWAN OPPORTUNITIES CORPORATION 2000 Annual Report

2000 HIGHLIGHTS

Saskatchewan Opportunities Corporation (SOCO) invested $11.2 million in 24 businesses.

Approximately $2.9 million was repaid by investment clients in 2000.

In 2000, SOCO committed investment in projects valued at $70.6 million.

Since inception, an estimated 2,454 jobs have been created and sustained through SOCO's investments and research parks activity.

SOCO's investment portfolio earned revenues of $2.8 million.

131 tenants at the two research parks employ approximately 2,365 people.

At Regina Research Park, one building was opened and another was under construction; at Innovation Place in Saskatoon, one building was under construction and planning began on another building.

SOCO's research parks generated approximately $250 million in economic activity in Saskatchewan.

101-04143/

LETTER OF TRANSMITTAL

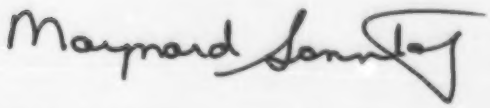
March 2001

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Dear Madam:

I have the honour to submit the Annual Report of Saskatchewan Opportunities Corporation (SOCO) for the year ended December 31, 2000, including the financial statements duly certified in accordance with *The Saskatchewan Opportunities Corporation Act*.

Respectfully Submitted



Maynard Sonntag
Minister Responsible
Saskatchewan Opportunities Corporation

MESSAGE FROM THE CHAIR

Now in its sixth year of existence, Saskatchewan Opportunities Corporation (SOCO) has once again successfully fulfilled its responsibility to provide opportunities for companies to contribute to economic growth in Saskatchewan.

SOCO has done so in its two-fold role, namely to invest in companies and to develop infrastructure for economic growth such as research parks. I am proud of the efforts of all involved in contributing to the remarkable progress that is reported in this annual report.

The future of the Saskatchewan economy and the hopes for future generations in our province rest on the investments we make today as government and as private businesses, individuals and community organizations.

Indeed, SOCO, the Government of Saskatchewan, other government agencies committed to economic development and our many partners in this endeavour have achieved far more than we envisioned when SOCO was established a short six years ago. But we are conscious of even greater opportunity for the corporation itself to increase its effectiveness.

Building on our success locally, we can use the capability of our research parks to develop new business opportunities for the province.

We can expand our financing mandate to accommodate partnerships with others in the development of investment funds for the provision of early stage financing.

There also is the potential to move towards financial self-sufficiency based on a sustainable financial structure.

This past year, we began the process of slowly stabilizing our requests from the General Revenue Fund in order to reduce the proportion of operating requirements from government. This may be accomplished in part by moving toward a change to a full CIC Crown corporation.

I am optimistic that SOCO will continue to be a central and effective force in developing a foundation for economic prosperity for the province. The corporation owes its strength and success to the highly knowledgeable and skilled staff in all areas of investments, development and administration.

The corporation also is very fortunate to be served by a very competent president and senior management as well as by a Board of Directors that possesses the focus, insight and knowledge that are needed to move the organization forward.

I thank them all for their support and co-operation and look forward to continuing this partnership to make SOCO stronger and more effective in bringing economic growth to the province today and well into the future.

Janice MacKinnon
Chair of the Board

REPORT
FROM THE PRESIDENT

This past year has seen significant progress by SOCO in virtually every aspect of its mandate. It is fair to say that we have exceeded targets in the investments and research parks divisions and in administration and finance.

We are pleased to report on our performance during 2000 within the context of the overall vision and direction articulated in the Crown Sector Strategic Plan approved by the CIC Board in 1999. SOCO is committed to this approach of planning its direction and measuring and reporting our results. In the coming years, we will report on the business of SOCO using the balanced scorecard approach in use by all Crown corporations.

We value the direction provided by CIC in strategic planning and are working toward alignment of our business strategies within the framework of the plan for CIC Crown corporations.

In summary, I am pleased to report our research parks in Regina and Saskatoon made impressive gains in areas of contributions to research, job creation and other indicators of economic growth. Construction is complete at the Petroleum Technology Research Centre in Regina.

Strong growth was also evident at Innovation Place, where significant progress was made on one building. The number of tenants at Innovation Place exceeds 130, providing employment to over 2,300 people.

Equally exciting progress is reported on our investments division. We invested in 24 companies and disbursed $11.2 million. We saw successful loan repayments of approximately $2.9 million.

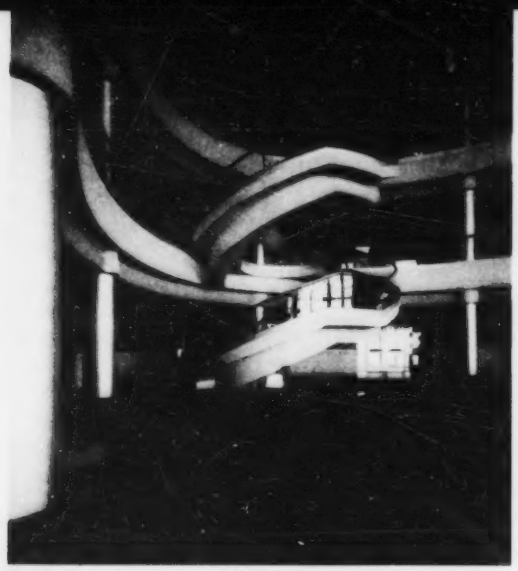
A summary of our financial effectiveness includes:
- Net returns on investment averaged 8.6% since 1995.
- Approximately $2.9 million in loan repayments during 2000.
- Operating revenues have increased to $15.3 million from $11.9 million in 1999.
- Cost to the province for research park and investment activities averages $4.7 million per year.
- Total value of projects supported in 2000 is $71 million.
- SOCO's research parks generated $250 million in economic activity in Saskatchewan.

We continue to recruit and retain skilled professionals in all divisions. We also remain committed to providing meaningful career opportunities for aboriginal persons, visible minorities and individuals with disabilities.

Our accomplishments this past year would not have been possible without the dedicated efforts of all our staff. On behalf of the Board and management, I express our profound thanks.

I am also pleased to recognize the Board for its leadership in guiding and directing the organization. This collective wisdom and hard work have brought us through another successful year and will provide guidance in the year to come.

Nigel Howard
President and Chief Executive Officer



The Terrace, Regina Research Park

CORPORATE OVERVIEW

EMPLOYEE PROFILE

Dean Nagel
Building Operator
Regina Research Park, Regina

Dean manages the research park's building automated systems and heating, ventilation and air conditioning systems.

Saskatchewan Opportunities Corporation's mandate is to facilitate economic growth in Saskatchewan through investment in viable businesses and infrastructure that supports the development of business.

The corporation makes loan and equity investments in export-oriented and import-replacement businesses and those that result in manufacturing and value-added processing in Saskatchewan. SOCO syndicates its investments with other investment agencies wherever possible. It also develops and operates research parks.

GOVERNING LEGISLATION

The Saskatchewan Opportunities Corporation Act, enacted in 1994 in the Saskatchewan legislature, governs SOCO's purpose and operating authority. The Act authorizes SOCO to create, encourage and facilitate business opportunities in Saskatchewan by providing financial assistance, management services, counselling and training, information and advice and any other services, including the development and operation of research parks, that the corporation considers will further the purposes of this Act.

The corporation may:

- make loans to any corporation, organization, firm or business that conducts or proposes to conduct business in Saskatchewan;
- guarantee the indebtedness of any corporation, organization, firm or business that conducts or proposes to conduct business in Saskatchewan;
- participate in joint ventures with any corporation, organization, firm or business conducting or proposing to conduct business in Saskatchewan;
- form, manage, promote, supervise, control, operate or participate in an investment fund or pool developed for the purpose of investing in a corporation, organization, firm or business conducting or proposing to conduct business in Saskatchewan;
- buy, invest in, underwrite or acquire and hold shares and debentures for any corporation, organization, firm or business that conducts or proposes to conduct business in Saskatchewan; and
- engage in any capital construction project that it considers necessary, incidental or conducive to meeting its purposes or to exercising its powers.

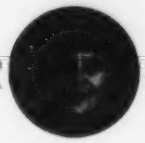
SOCO was established as a Crown corporation in 1994 and as such it takes its strategic direction from Crown Investments Corporation (CIC), the holding company for provincial Crown corporations and the 'shareholder.'

STRATEGIC

CIC developed a strategic plan in 1999 as a guide to all Crown corporations in developing their own business plans. CIC's five strategic goals are:

CUSTOMER SERVICE	Exceed customer expectations for products and services.
FINANCIAL HEALTH	Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment in the overall sector.
CORPORATE ROLE	Incorporate the Crown sector's mission into each corporation's mandate and role. Strive to balance public accountability with each Crown corporation's need to operate in commercially competitive environments.
PUBLIC PURPOSE	Contribute to social, economic and environmental public policies of the Government of Saskatchewan, including economic diversification and growth; representative workforces; skills training and development; technical innovation and development; and environmental responsibility and stewardships.
HUMAN RESOURCES	Align human resources processes and practices to best deal with emerging sector-wide issues and to support achievement of individual Crown corporation strategies.

EMPLOYEE PROFILE



Fran Nutter
Property Management Supervisor
Innovation Place, Saskatoon

Fran manages the research park's tenant property needs, including security, janitorial and signage requirements.

PLANNING

All of Crown Investments Corporation's strategic goals for the Crown sector have been integrated into SOCO's plans and operations and are reflected in SOCO's Balanced Scorecard. Our mandate and corporate goals are directed first towards fulfilling the shareholder's public policy mandate for economic development and second towards financial results.

5 STRATEGIC GOALS

SOCO will regularly and proactively communicate its mission to the business community and the public.

Over the next several years, SOCO will grow its asset base in investment assets, facilities and infrastracture.

SOCO will move towards financial self-sufficiency based on a sustainable financial structure.

SOCO will strive to achieve market rates of return while ensuring the integrity of our public policy mandate.

SOCO will continue to place a priority on financing business start-ups and expansions for small and medium-sized businesses that produce net new economic activity in the province.

SOCO will continue to support facilities and infrastructure development associated with two research parks, based on client demand and the capabilities of the universities.

SOCO's staff will provide consulting services and management contracts on research parks to clients outside Saskatchewan.

SOCO will pursue new partnerships and alliances to support the research and development, pre-commercialization and commercialization phases of the business and project development continuum.

SOCO will strategically and aggressively utilize the synergy between the Research Parks Division and the Investments Division.

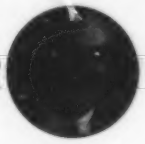
SOCO will support the provincial government's revised economic development strategy. In particular, SOCO will place an emphasis on:

- Supporting the province's northern development; and
- Increasing its marketing and communications efforts in the forestry and ag-biotech sectors to increase general public and business awareness of SOCO's activities in these sectors.

SOCO will continue to build positive relationships with private sources of capital including financial institutions and venture capital firms. SOCO will facilitate and complement private investment rather than compete with it.

SOCO will be a quality employer, creating a family-friendly workplace that is representative and free from inequity and harassment and is committed to develop its employees professionally and personally.

EMPLOYEE



PROFILE

Lorne Vinish
Senior Investment Manager
Investments Division, Saskatoon

Lorne manages investments by providing non-traditional financing options to help Saskatchewan businesses take advantage of viable opportunities.

VALUING OUR HUMAN RESOURCES

STRIVING FOR EQUITY AND DIVERSITY

In keeping with the five strategic goals, SOCO strives to be a quality employer that creates a family-friendly, diverse workplace, free from inequity and harassment; it encourages its employees to develop professionally and personally.

SOCO is committed to equity in its employment practices and diversity in its workforce. The corporation has adopted several strategies to improve diversity in the workplace.

One strategy was the establishment of scholarships at both Saskatchewan universities for commerce and business administration students of aboriginal ancestry. During the year, the corporation awarded $2,500 scholarships to a College of Commerce student at the University of Saskatchewan and a Business Administration student at the University of Regina.

COMMUNITY INVOLVEMENT

SOCO supports the community through involvement in programs and events that are consistent with our business goals. As well, SOCO employees support their community by participating in fundraising efforts for a variety of worthy causes.

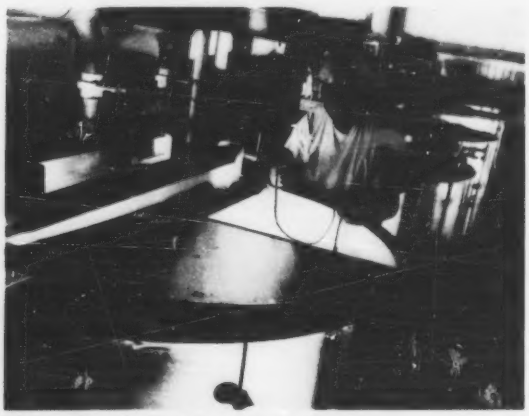
CORPORATE RESULTS

RESEARCH PARKS DIVISION

SOCO encourages and promotes economic growth in Saskatchewan by developing and operating research parks. It invests in the specialized infrastructure that companies need to conduct research and development. Companies then lease the space on commercial terms. Tenants in a research park benefit from the collaborative working relationship that often develops between colleagues in tenant organizations and other research-related institutions located in proximity to the universities.

One of SOCO's priorities in 2000 was to increase the employment within the research parks by 300 through the attraction of new tenants and support for the growth of existing tenants; 449 positions were actually created.

The corporation took significant steps to augment management personnel with the appointments of general managers at Innovation Place and Regina Research Park.



Neil Unruh in the Bio Processing Centre, Innovation Place, Saskatoon.

Dean Nagel (left) and Myron Exner at The Terrace, Regina Research Park.

EMPLOYEE PROFILE

Joan Wickenheiser
Manager, Accounting
Finance and Administration
Regina

Joan manages corporate financial and administrative processes including internal management and external reporting requirements.

REGINA RESEARCH PARK

At Regina Research Park, SOCO began preliminary design for two new multi-tenant buildings and completed construction of the Petroleum Technology Research Centre and The Terrace, an information technology related facility. As well, the park's initial roadway, parking and utility infrastructure was completed as planned.

Occupancy at Regina Research Park at year-end 2000 reached 93%, just short of the 95% target.

INNOVATION PLACE

Construction of a multi-tenant office/lab building oriented to the ag-biotech sector was completed at Innovation Place in Saskatoon. Preliminary design also began on a 100,000-square foot multi-tenant building oriented to the information technology sector.

The Corporation reached an occupancy rate of 94.2% at Innovation Place, the target for 2000 was 95%.

As part of its plan to increase out-of-province development activity, SOCO continued discussions with three locations in Eastern Canada toward possible relationships with those locations and Innovation Place. Innovation Place also acted as a sub-consultant to the Saskatchewan Research Council, to advise the Government of the State of Sarawak in Malaysia on the development of a technology park just outside the City of Kuching.

The Bio Processing Centre had its first full year of operation as part of Innovation Place in 2000. The Centre offers product sales for export to the United States for further processing. It also sells to the cosmetic and personal care industry. In 2000, it provided contract-processing services to nine Saskatchewan-based companies processing 11 different materials. Of the nine companies, three represented non-Saskatchewan clients, one from Alberta and two from the United States. Staffing doubled from a total of five at the end of 1999 to 10 at the end of 2000.

SOCO makes investments in viable companies or projects intended to create jobs and foster a healthy, diversified economy.

Several criteria must be met before SOCO decides to make an investment. There must be a return on SOCO's investment. The project should support job creation and overall economic growth. Community support for the project is also considered along with financial participation by the private sector.

SOCO's investment focus is on opportunities that provide in-province manufacturing and value-added processing, with emphasis on export-oriented and import-replacement projects. The corporation refrains from investing in projects that compete with existing provincial businesses for limited local markets.

SOCO targets six key economic sectors that have been identified as showing the greatest growth potential for Saskatchewan. These include value-added agriculture, forestry, tourism and culture, mining and minerals, energy and advanced technology.

2000 Key Investment Portfolio Indicators:

- Investments made in 24 companies.
- Disbursed $11.2 million.
- Leveraged total project investment of $70.6 million.
- Investments not yet disbursed at year-end totaled $4,083,230 in seven projects.
- Investments and commitments will result in companies creating 306 jobs and sustaining 441 jobs.
- Earned revenues of $2.8 million.

We are pleased to profile Ag Growth Industries Ltd., International Road Dynamics (IRD), DRYAIR 2000 Inc. and ALviva Biopharmaceuticals Inc. All are investment clients, while ALviva is both an investment client and a research park tenant.

Brent Rossell (left) and Wayne Eastom assemble post pounders.

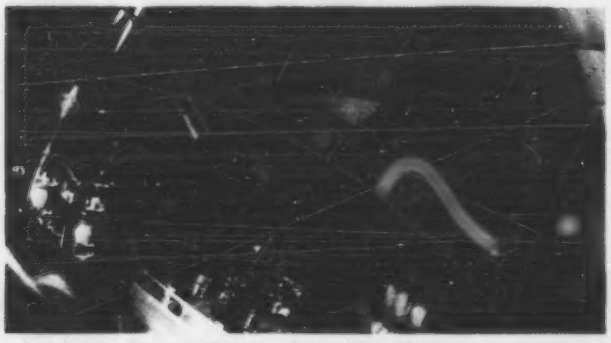
AG GROWTH

Ag Growth Industries Ltd. operates subsidiaries in Swift Current, Saskatoon and Rosenort, Manitoba, where it primarily manufactures portable grain handling, agricultural and ranching equipment. SOCO's $500,000 investment helped the company to expand and create 66 new jobs and later acquire Westfield Industries of Manitoba.

The investment allowed Ag Growth to aggressively position its diversified product line and penetrate the U.S. market. Its augers are sold by over 1,400 dealers in North America and are also available offshore in Europe, the South Pacific, South America and Australia.

Parts distribution outlets are located in Saskatoon and Fargo, North Dakota, as well as other points throughout the American Midwest.

ALVIVA



Lab technician Roxanne Ortmann takes a tissue culture.

ALviva Biopharmaceuticals Inc. (ALviva) of Innovation Place, Saskatoon, develops new drugs to treat neurodegenerative diseases. The company recently announced the development of a new drug for Parkinson's disease and expects to develop other drugs for Alzheimer's, ALS (Lou Gehrig's), Huntington's, stroke and cancer. SOCO's funding of $500,000 was part of a total $1.5 million investment from a consortium of investors.

Funding has allowed ALviva to continue its R&D program, secure additional investment and create long-term employment for up to 30 people. ALviva recently signed a licensing and collaboration agreement with Schwarz Pharma AG who is supporting ALviva in the development of the drugs. Drugs developed by ALviva represent a major change in treatment with a market potential estimated at more than $10 million.

IRD employees work in a team effort. From left are Ryan Gidluck, Jurika Shakya and Dan Bonnet.

IRD

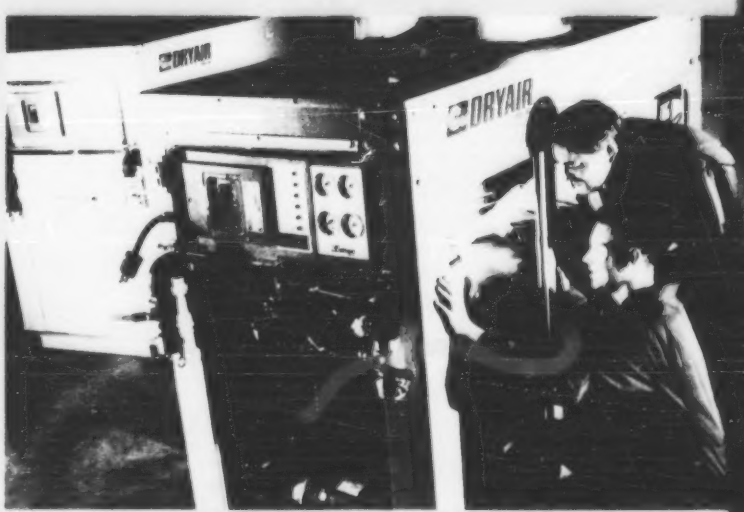
International Road Dynamics Inc. (IRD) develops and manufactures traffic monitoring equipment and road management systems and provides system development and integration services to the transportation industry. A SOCO investment of $500,000 enabled IRD of Saskatoon to acquire a portable weighing technology plus its patents, related manufacturing equipment and engineering and development software. The investment helped to create six jobs and maintain 35.

IRD has demonstrated competitiveness in the transportation systems market with the awarding of numerous lucrative national and international contracts in locations such as New Brunswick and the States of Washington, Illinois and New York.

DRYAIR 2000 Inc. is a developer, manufacturer and marketer of grain drying and construction heating equipment headquartered in St. Brieux, Saskatchewan.

Saskatchewan Opportunities Corporation invested $500,000 in the company to enable the manufacturing of specialized portable heating equipment. The investment helped create 14 full-time jobs and the potential for 14 additional jobs.

DRYAIR's initial target for the grain drying system was the grain storage bin market in Western Canada, but it has expanded quickly to include the construction industry across Canada.



Scott Hindley (left) and Maurice Boyer complete production on a DRYAIR boiler.

DRYAIR

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The core business activities of the Saskatchewan Opportunities Corporation centre on two operating divisions: the Research Parks Division, which develops and operates research parks, and the Investments Division, which provides loans, equity and guarantees to Saskatchewan businesses.

During 2000, SOCO increased both the size and scope of its development and investment activities and made substantial progress in its mandate to encourage economic growth in Saskatchewan. Investment in capital assets for research parks was significant during 2000, totalling $26.9 million. New investments totalled over $11.2 million in 2000.

Including the contributions from the General Revenue Fund (GRF), the Investments Division showed very positive financial results in 2000, due in part to returns on equity investments. Operating results for the Research Parks Division were below expectations in 2000, but improved significantly relative to 1999. The net income achieved for each division was $1.14 million and –$1.0 million, respectively.

CAPITAL INVESTMENT AND FINANCING

Investment in new capital assets at the Regina Research Park during the year totalled $16.8 million reflecting construction of the Petroleum Technology Research Centre (PTRC) and The Terrace. During 2000, the Atrium expansion and the Concourse Building at 116 Research Drive were completed at Innovation Place and became rental assets. Construction on 421 Downey Road was also nearing completion at year end. During the last half of 1999, SOCO acquired the assets of an existing building, the Bioprocessing Centre, at Innovation Place. This facility saw its first full year of operation in 2000 and is anticipated to have a positive impact on Innovation Place revenues.

Prior to 1997, all of SOCO's capital expenditures and investment activities were financed through short-term advances from the GRF. Since that time, $120 million in short-term debt has been converted to long-term debt in an effort to mitigate the financial impact of future interest rate fluctuations on the Research Parks Division. Management has taken advantage of the low interest rate environment, but will continue to seek opportunities to secure long-term debt at favourable rates.

FINANCIAL CONDITION

Since its inception in 1994, SOCO has received no equity advances. The corporation has relied on debt financing through the GRF to acquire and expand its research park development at Innovation Place and the Regina Research Park and support its investment activities. SOCO makes regular interest payments to the GRF on all its debt. As a result, operating grants from the GRF are necessary to finance the operations of the corporation.

The retained earnings of the corporation have been built from judicious management of revenues and expenses, as well as a prudent approach to investment activities to limit any actual investment losses. A significant portion of retained earnings has been appropriated for future potential investment losses.

RISK FACTORS

The risks facing the corporation fall into three categories: credit and investment, rental property vacancy rates and interest rates.

CREDIT AND INVESTMENT RISK

Credit risk is inherent in lending and investment activities. SOCO is exposed to the types of credit risk that are typical for any lending institution. However, the risk spectrum in which SOCO operates tends to be higher than that of the banking sector or other traditional financing institutions. This is, in part, because the corporation has an economic development mandate that involves supporting start-up operations, new companies' products and services at the commercialization stage and expansions. SOCO also makes equity investments, which, by definition, are higher risk. SOCO's risk spectrum would be comparable to private venture capital.

SOCO has taken precautionary steps to make reasonable provision for losses. As the corporation's portfolio grows and matures, the size of the provision for investment losses has been increased. In addition, a reserve will help to absorb future potential losses in recognition of the higher credit risk.

RENTAL PROPERTY VACANCY RISK

Rental risk is inherent in the property management business. The majority of costs at Innovation Place and the Regina Research Park relate to fixed costs, such as amortization, property taxes and interest expenses. The operating results of SOCO's research parks depend to a large extent on the level of occupancy achieved. The critical risk factor related to research parks is that tenants would leave upon expiry of their lease and not be replaced. However, given the historically high occupancy rates and the current leases for space at Innovation Place and the Regina Research Park, management does not consider this to be a significant risk for the foreseeable future.

INTEREST RATE RISK

Most of SOCO's interest-bearing investments have interest rates that fluctuate with bank prime rates and therefore match the short-term nature of our Investments Division debt. In an ongoing effort to mitigate interest rate risk for the Research Parks Division, approximately $35 million in short-term debt was converted to longer terms during 2000, as market conditions were favourable. At the end of the 2000 fiscal year, there was only $6.6 million of short-term debt outstanding related to research parks.

A rapid and dramatic rise in interest rates may still have an impact on the Research Parks Division's operating results because increased interest costs cannot be passed along to tenants immediately or in their entirety. Management continues to closely monitor interest rates and market conditions.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with Generally Accepted Accounting Principles and necessarily include some amounts based on informed judgment and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

The corporation's independent auditors, Hill McKillop Orr & Company, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the auditor's report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The board of directors has reviewed and approved these financial statements. To assist the board in meeting its responsibility, it has appointed an audit committee consisting solely of outside directors. The committee meets periodically with management and is available to review internal accounting controls, audit results and accounting principles and practices.

On behalf of management,

Nigel Howard
President and Chief Executive Officer

Glenda Bruce
Chief Financial Officer

AUDITOR'S REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan:

We have audited the statement of financial position of the Saskatchewan Opportunities Corporation as at December 31, 2000, and the statements of operations and retained earnings and cash flows for the year then ended. The financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2000, and the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

Chartered Accountants
February 14, 2001
Regina, Saskatchewan

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31 ($ THOUSANDS)

ASSETS	2000	1999
Cash	$ 1,289	$ 2,203
Accounts Receivable and Prepaid Expenses	5,094	3,852
Investments (Note 2)	24,265	18,773
Capital Assets (Note 4)	129,164	105,528
	$159,812	$130,356
LIABILITIES AND PROVINCE'S EQUITY		
Accounts Payable and Accrued Liabilities	$ 7,107	$ 6,836
Notes Payable – Short-Term (Note 5)	29,149	34,393
Long-Term Debt Payable (Note 5)	118,467	84,149
	154,723	125,378
Province of Saskatchewan's Equity		
Retained Earnings		
– Unappropriated	1,992	1,662
– Appropriated (Note 6)	3,097	3,316
	5,089	4,978
	$159,812	$130,356

(See Accompanying Notes)
(See Commitments and Contingencies – Note 3)

On behalf of the Board Trent Beatty, Director

Naomi Levi, Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31 ($ THOUSANDS)

REVENUE (Note 7)	**2000**	1999
Research Parks	$ 12,483	$ 10,007
Investments	2,808	1,862
Operating Contribution – General Revenue Fund	5,466	4,085
Investment Contribution – General Revenue Fund	2,807	2,664
	23,564	18,618
EXPENSES		
Operating and Administration	3,898	3,539
Interest (Note 5)	5,891	4,487
Research Parks	6,984	5,392
Amortization	3,654	2,815
Charge for Investment Impairment	3,026	2,054
	23,453	18,287
Net Income	111	331
Retained Earnings:		
Unappropriated, Beginning of Year	1,662	1,941
Change in Appropriated Retained Earnings (Note 6)	219	(610)
Retained Earnings, Unappropriated, End of Year	$ 1,992	$ 1,662

(See Accompanying Notes)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31 ($ THOUSANDS)

OPERATING ACTIVITIES	2000	1999
Net Income	$ 111	$ 331
Add (deduct) non-cash items:		
Amortization	3,654	2,815
Charge for Investment Impairment	3,026	2,054
Net Change in Non-cash Balances (Note 8)	(971)	2,530
Cash Provided by Operating Activities	5,820	7,730
INVESTING ACTIVITIES		
Investment in Capital Assets	(27,290)	(22,563)
Investment Disbursements	(11,231)	(10,658)
Investment Reductions	2,713	3,206
Fixed Income Investments	—	2,303
Cash Used in Investing Activities	(35,808)	(27,712)
FINANCING ACTIVITIES		
Net Change in Notes Payable and Long-Term Debt (Note 5)	29,074	17,662
Increase (Decrease) in Cash Position for the Year	(914)	(2,320)
Cash and Short-Term Investments, Beginning of Year	2,203	4,523
Cash and Short-Term Investments, End of Year	$ 1,289	$ 2,203

Cash includes cash and short-term investments.

(See Accompanying Notes)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

Saskatchewan Opportunities Corporation (SOCO) was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force on August 15, 1994. SOCO is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is subject to neither federal nor provincial income tax. The financial results of the corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

SOCO's mandate is to facilitate economic growth in Saskatchewan through investment in viable businesses and by investing in research parks that support the development of business.

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles. The following accounting policies are considered to be significant:

a) Investments

Loans and equity instruments are recorded at cost and valued in accordance with the policies described below. Income from loans, with the exception of non-performing loans, is recognized as earned. Income from equity investments and non-performing loans is recognized when received.

In October 2000, SOCO and CIC, together with Royal Bank Ventures Inc. and two Quebec financing agencies formed a limited partnership creating a seed investment fund for agriculture technologies (Foragen Technologies Limited Partnership). SOCO's investment was undertaken through a subsidiary of CIC in which SOCO holds 35.7%. SOCO's investment, recorded at cost in 2000, will be accounted for using the equity method. There has been limited activity in the fund to date.

Cash is reclassified to cash held for guarantees when SOCO is committed to a loan guarantee made to third parties.

b) Provision for Investment Impairment

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The more subjective of such estimates is the Provision for Investment Impairment. Management believes its estimates to be appropriate, however, actual results could differ materially from the amounts estimated.

A provision for impaired (doubtful) investments is recorded to reduce the recorded amount to estimated net realizable value. Investments are classified as impaired when there is no longer reasonable assurance that the investment outstanding plus income earned will be fully recovered. The corporation records a charge or recovery based on management's regular review of individual investments as follows:

For loans, the estimated net realizable value represents management's best estimate of the current value of future payments. Where future cash flows cannot be reasonably determined, estimates are based on the fair value of security, net of expected selling costs.

Equity investments are generally made as venture capital for the investee and do not have quoted market values. Estimated net realizable value represents management's best estimate of the amount that would be realized if the investments were disposed of in an orderly manner over a reasonable time period.

The corporation records a general provision for investment impairment for groups of investments with similar characteristics, which may be exposed to common impairment conditions. If necessary, a general provision is determined based on management's judgment considering composition of the investment portfolio, business and economic conditions and historical performance.

c) Capital Assets

Capital Assets (Note 4) are recorded at cost and include direct development costs and interest capitalized during construction. Rental assets consist of buildings at Innovation Place and the Regina Research Park, as well as related site improvement costs, tenant improvements, furniture and equipment. Buildings and site improvement costs net of estimated residual value are amortized over the estimated useful life of the particular asset (15 to 30 years). Tenant improvements are amortized on a straight-line basis over the term of the associated lease (five to 10 years). Furniture and equipment are amortized on a straight-line basis over five years. Office equipment, furniture and leasehold improvements are assets used by the corporation in its own offices. These assets are amortized on a straight-line basis over periods ranging from three to five years. Construction in progress consists of buildings and tenant improvements currently under development. Buildings under construction are converted to rental assets at the earliest of one year after substantial completion or upon attaining 50% occupancy.

d) Revenue Recognition

All revenue is recognized based on the corporation's right to revenue pursuant to contracts with customers, tenants and clients using the accrual basis of accounting. Loans are classified as Non-Performing when management believes the receipt of future interest revenue is unlikely. Due to the fluctuations in market value, the corporation only recognizes gains on shares when they are redeemed.

e) Operating Contributions

Operating Contributions are provided by the General Revenue Fund (GRF) in recognition of the corporation's economic development mandate. These funds are to cover the budgeted costs of corporate administration and operations of the Investments and Research Parks Divisions and are recognized as revenues when they are due to the corporation.

f) Investment Contribution

Investment Contribution is provided by the GRF to cover potential losses. It is calculated at 25% of disbursements advanced during the period. The investment contribution is recognized as revenue when disbursements are made or when the corporation is committed to a guarantee. Retained earnings in an amount equal to the investment contribution less the charge for investment impairment is separately identified as Appropriated Retained Earnings (Note 6).

g) Fair Value

Due to their short-term nature, the carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair values. The estimated net realizable value of investments shown in Note 2 approximates their fair value.

2. INVESTMENTS ($ THOUSANDS)

	2000	1999
Equity Instruments	$ 6,226	$ 5,753
Debt Instruments	24,716	18,114
Total	30,942	23,867
Allowance for Impairment	(7,748)	(5,094)
	23,194	18,773
Equity Accounted Investment	1,071	—
	$24,265	**$18,773**

Included in debt instruments is $3,660 thousand of Non-Performing Loans (1999 – $3,645 thousand).

3. COMMITMENTS AND CONTINGENCIES

At December 31, 2000, SOCO was committed to provide $6.4 million (1999 – $8.15 million) of investment capital to Saskatchewan businesses.

The estimated costs to complete projects under construction are approximately $5.3 million (1999 – $13.6 million).

Lease commitments with respect to SOCO's offices in Regina and Saskatoon total $375 thousand, $138 thousand annually (1999 – $431 thousand).

SOCO holds long-term land leases with both the University of Saskatchewan and the University of Regina for research park development. The actual lease payments are nominal.

There are no loan guarantees outstanding (1999 – $90 thousand).

4. CAPITAL ASSETS ($ THOUSANDS)

	2000			1999
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Rental Assets	$ 98,991	$12,656	$ 86,335	$ 78,734
Office Equipment/Furniture & Leaseholds	1,567	885	682	511
Construction in Progress	42,147	—	42,147	26,283
	$142,705	**$13,541**	**$129,164**	**$105,528**

Subsequent Events

Regina Research Park construction projects with a cost of approximately $29 million were converted to rental assets upon the completion of their two buildings.

5. NOTES PAYABLE AND LONG-TERM DEBT PAYABLE ($ THOUSANDS)

	2000				1999	
	PRINCIPAL OUTSTANDING	MATURITY DATE	INTEREST RATE	SINKING FUND BALANCE	PRINCIPAL OUTSTANDING	INTEREST RATE
GRF – Short-Term	$ 29,149	Mar 30/01	5.57%	$ n/a	$ 34,393	5.02%
GRF – Long-Term	10,000	June 01/06	6.00%	n/a	—	—
	20,000	May 28/08	5.50%	676	19,562	5.50%
	40,000	June 02/08	5.50%	857	39,587	5.50%
	25,000	June 17/19	5.50%	0	25,000	5.50%
	25,000	Jan 25/30	6.10%	0	—	—
Total Long-Term	120,000			1,533	84,149	
TOTAL	**$149,149**			**$1,533**	**$118,542**	

Short-term notes from the GRF bear interest at rates established on a quarterly basis by the Department of Finance.

The long-term debt is reported net of associated sinking funds equal to 1% of the principal payable annually.

Fair Value

The fair value of the loans payable approximates their net present value at December 31, 2000, of $142.7 million (1999 – $111.1 million).

Interest Expense

Interest expense consists of the following:

		2000	1999
GRF – Short-Term	$1,457		
– Long-Term	6,053	$7,510	$5,662
Interest Capitalized		(1,503)	(962)
Interest Income		(116)	(213)
		$5,891	**$4,487**

6. APPROPRIATED RETAINED EARNINGS ($ THOUSANDS)

Amounts received from the GRF as investment contributions in excess of the charge in the current period for impaired investments are appropriated for potential investment losses, if any, that may be recognized in the future. In 2000, the Charge for Investment Impairment exceeded the Investment Contributions received from the GRF.

	2000	1999
Opening Balance	$3,316	$2,706
Investment Contribution	2,807	2,664
Charge for Investment Impairment	(3,026)	(2,054)
Ending Balance	**$3,097**	**$3,316**

7. SEGMENTED FINANCIAL INFORMATION ($ THOUSANDS)

The Investments Business Unit includes all investment activities plus an allocation of corporate administration expenses and operating grants.

The Research Parks Business Unit includes Innovation Place, the Regina Research Park and other infrastructure development, plus an allocation of corporate administration expenses and operating grants.

REVENUE	INVESTMENTS BUSINESS UNIT	RESEARCH PARKS BUSINESS UNIT	2000 TOTAL	1999 TOTAL
Research Parks	$ —	$12,483	$12,483	$10,007
Investments	2,808	—	2,808	1,862
Operating Contribution	1,497	3,969	5,466	4,085
Investment Contribution	2,807	—	2,807	2,664
	7,112	16,452	23,564	18,618
EXPENSES				
Operating and Administration	1,921	1,977	3,898	3,539
Interest	901	4,990	5,891	4,487
Research Parks	—	6,984	6,984	5,392
Amortization	129	3,525	3,654	2,815
Charge for Investment Impairment	3,026	—	3,026	2,054
	5,977	17,476	23,453	18,287
NET INCOME (LOSS)	**$ 1,135**	**$ (1,024)**	**$ 111**	**$ 331**

8. NET CHANGE IN NON-CASH BALANCES ($ THOUSANDS)

Cash Provided by (applied to):	2000	1999
Accounts Receivable and Prepaid Expenses	$ (1,242)	$ (1,010)
Accounts Payable and Accrued Liabilities	271	3,540
	$ (971)	**$ 2,530**

9. INTEREST RATE RISK ($ THOUSANDS)

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. Changes in interest rates on financial assets and liabilities with variable rates have a direct impact on earnings.

The corporation's estimated exposure to interest rate risk is significant. Management will continue to seek opportunities to convert short-term debt to longer terms in an effort to mitigate this risk. As well, management has made an effort to match variable rate assets and liabilities.

TYPE OF INVESTMENT	INTEREST RATE RANGE	REPRICING WITHIN 1 YEAR	REPRICING IN 1 TO 5 YEARS	NO SPECIFIED MATURITY DATE
Fixed-Rate	9.00-15.00%	$ 0	$ 4,811	$3,146
Variable Rate	9.00-16.00%	11,391	0	0
Participating	—	1,269	4,626	3,109
Non-Performing	—	1,366	2,294	0
		$14,026	**$11,731**	**$6,255**

These investments are financed with loans from the GRF as described in Note 5.

10. RELATED PARTY TRANSACTIONS ($ THOUSANDS)

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the corporation by virtue of common control by the Government of Saskatchewan. Non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan are also considered "related party" transactions.

Routine operating transactions with related parties are settled at agreed upon amounts under normal trade terms. These transactions and amounts outstanding at year end are as follows:

CATEGORY			2000	1999
Accounts Receivable			$2,081	$ 894
Accounts Payable			1,277	430
R&D Park Revenue – SRC*	2,479			
– Other	986		3,465	3,416
Operating Expenses			7,696	6,886

GRF interest is included in accounts payable at $1.049 million and operating expenses at $6.007 million.

In addition, the corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. Other amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

*Saskatchewan Research Council

11. CONFLICT OF INTEREST RULES

SOCO's legislation and other Saskatchewan legislation, along with SOCO corporate policy, establish requirements for SOCO directors, officers and employees to disclose any interest they have which may create a conflict of interest or the appearance of a conflict of interest and, if appropriate, to absent themselves from discussion and approval of business transactions.

12. PENSION PLAN

All employees are members of the Capital Pension Plan, a defined contribution plan administered by CIC. SOCO's financial obligation is limited to making regular payments to match contributions by the employees for current services.

13. COMPARATIVE FIGURES

Certain prior years' comparative figures have been reclassified to conform to the current year's basis of presentation.

BOARD

Left to right

Jeff Grubb, QC
Dennis Johnson
Nancy Redekop
Trent Beatty
Honourable Janice MacKinnon, CHAIR
Honourable Keith Goulet, VICE-CHAIR
Naomie Seib
Dianne Olchowski
John Penner

BOARD

AUDIT AND FINANCE COMMITTEE

Trent Beatty, CHAIR
John Penner
Dennis Johnson
Naomie Seib
Dianne Olchowski
Jeff Grubb, QC

GOVERNANCE AND COMPENSATION COMMITTEE

Dennis Johnson, CHAIR
Trent Beatty
John Penner
Naomie Seib
Dianne Olchowski
Jeff Grubb, QC

SENIOR

Nigel Howard, PRESIDENT & CEO
Glenda Bruce, CHIEF FINANCIAL OFFICER
John Helms, DIRECTOR, INVESTMENTS, SASKATOON
Moses Kanhai, DIRECTOR, CORPORATE AFFAIRS
Rudy Lackhan, SENIOR HUMAN RESOURCES MANAGER
Ken Loeppky, CHIEF [illegible] MANAGER, REGINA RESEARCH PARK
Vern Rourke, DIRECTOR, INVESTMENTS, REGINA
Bill Sitter, GENERAL MANAGER, INNOVATION PLACE
Douglas Tastad, VICE-PRESIDENT, RESEARCH PARKS DIVISION